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The Newspaper of the Non-Profit World

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Boxer George Foreman says he returned to the ring after a 10-year hiatus to bring in money for his charitable work, much of which focuses on children. Story on Page 12.

ATHLETES AND CHARITY: IT'S A NEW BALLGAME

Many sports stars move beyond mere public-relations gestures to create their own non-profits

By ANNE LOWREY BAILEY and ELIZABETH GREENE

WHEN MAGIC JOHNSON made front-page news last month with his announcement that he has the virus that causes AIDS, the basketball star was besieged by calls not only from well wishers and reporters but also from groups that raise money to fight the fatal disease.

To manage the flood of requests for his support, Mr. Johnson moved quickly to set up a private foundation in Inglewood, Cal. Already, he has lined up a board of directors studded with names of some of the most powerful figures in Hollywood and professional sports, such as Michael Ovitz, chairman of Creative Artists Agency; Arsenio Hall, the television personality; and Jerry Buss, owner of the Los Angeles Lakers, the basketball team that Mr. Johnson played for before he retired last month for health reasons.

Mr. Johnson, who was actively involved with charity well before his disease was diagnosed, is not the only star athlete being inundated with requests for support. These days, charity by top sports figures is *de rigueur*. It's no longer so much a question of whether an athlete will support non-profits but which organizations will benefit from the visibility a well-known athlete can lend to a cause.

To help manage their giving, many sports figures—such as the Houston Oilers' quarterback Warren Moon, the Chicago Cubs' pitcher Rick Sutcliffe, and the track star Jackie Joyner-Kersee—have created foundations. Others, such as the Phoenix Suns' point guard Kevin Johnson, who built a youth academy for inner-city children in Sacramento, Cal., are lending substantive support for causes that goes well beyond the traditional public-relations gesture.

"There has been an extraordinary expansion of the individual philanthropy of athletes," says Robert L. Payton, director of the Indiana University Center on Philanthropy. "That doesn't mean that they weren't philanthropic in the past. But the scale of what's going on now, which reflects the very large sums of money that athletes have access to, is resulting in a new dimension of philanthropy coming out of sports."

Deep Involvement in Good Works

As more and more athletes endorse charities the way they would sports products, many become deeply involved participants.

"I intend to dedicate my time and effort to making the public, and especially young people, more aware of HIV and AIDS—how the virus can be transmitted and what can be done to avoid having happen to others what has happened to me," said Mr. Johnson last month in announcing plans for the Magic Johnson Foundation, which will be dedicated to AIDS education, research, and care.

Ann Armstrong, ex-

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HOLIDAY NOTICE

This is the last issue of *The Chronicle of Philanthropy* before the holidays. The next issue, dated January 14, will be mailed on January 9.

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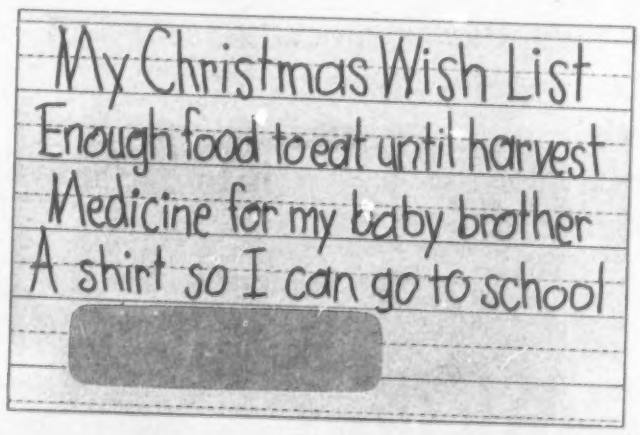

Holiday Direct Mail

Food for the Hungry is using a child's scrawled "wish list" (*above*) on the envelope of its holiday fund-raising appeal. A sampling of holiday direct mail being sent by charities this year begins on Page 24.

Record Demand for Food

Food banks are struggling to meet a record demand as more single-parent families and laid-off workers seek help. Only surplus military food has enabled the food banks to keep pace. Story on Page 6.

A complete guide to this issue appears on Page 3.

WHAT'S IN THIS ISSUE

A guide for the busy reader Volume IV, Number 5

About Fund Raising

23 The recent troubles of some well-known insurance companies should lead charities and donors to exercise care in arranging gifts of life insurance, experts say.

30 One insurance company is offering a new kind of charitable life-insurance gift.

35 The Internal Revenue Service has revoked a ruling on life-insurance gifts (Tax Watch).

24 This year's holiday fund-raising mail includes Christmas cards for donors, cards for the recipients of charity, and information on planned giving.

28 Charities are gearing up for a lobbying campaign to extend and make permanent a tax break for gifts of appreciated property.

28 Ideas: "Crime" pays for a library, a hospital's capital campaign gets help from on-the-job donations, and a jumping-frog contest aids a blindness charity.

29 Two charities hope to benefit from a holiday comic book featuring Spider-Man and O. Henry.

30 Three federal agencies are reportedly investigating the fund raising of Robert Tilton, a television preacher who was the subject of an unflattering portrayal on an ABC news show.

29 Minnesota charities received 39 per cent of the money collected for them by professional solicitors in the past year, says the state's attorney general.

29 Connecticut has charged a health charity with deceptive solicitations.

29 Update on campaigns for endowments and capital improvements.

30 Interest rates for planned gifts issued by the Internal Revenue Service.

About Gifts and Giving

1 Professional athletes are playing an increasing role in philanthropy, going beyond traditional public-relations gestures to start their own non-profits and foundations.

23 Most of the donations earmarked for specific charities or causes in United Way drives go to organizations affiliated with United Way.

10 A new study has found some differences between donors to three types of charities: arts, environmental, and youth groups.

35 The number of taxpayers claiming charitable deductions on their returns has dropped in the last 20 years, but the amount of contributions being deducted is up substantially (Tax Watch).

18 A Texas medical center has received two $25-million donations; other recent gifts.

About Volunteers

8 Points of Light 624 to 635 were named by the Bush Administration.

CHARLES B. LEE

Food banks face a record demand. 6

About Human Services

6 The nation's food banks are struggling with record demand and falling private donations.

8 The number of children staying in shelters provided by rescue missions is up 33 per cent this year.

8 The Michigan Legislature has approved a special tax break for donations to soup kitchens and homeless shelters.

8 The Bank of America will invest $70-million in a non-profit effort to provide low-cost rental housing in seven Western states.

About Grant Makers

8 International Business Machines will give less to charity in 1992 than it did this year, but it expects to remain America's largest corporate donor.

8 The Robert Wood Johnson Foundation will spend $9-million to help communities locate young children who have not been vaccinated against common diseases.

36 Foundations should avoid trying to solve social problems in isolation, says the executive vice-president of the Tandy Foundation (My View).

Of Special Interest to Board Members

23 **Board members could be held liable if charities that solicit gifts of insurance do not do enough to check on the soundness of the companies issuing the policies.**

31 **An IRS ruling that bowl games owe unrelated-business income tax on their income from corporate sponsorships could affect other non-profits.**

About Managing Non-Profits

31 An IRS ruling that two football-bowl organizations must pay unrelated-business income tax on contributions from corporate sponsors may have implications for other non-profits.

35 The IRS says some arrangements between non-profit hospitals and their physicians may jeopardize the institutions' tax-exempt status (Tax Watch).

33 Non-profits that lost thousands of dollars after two New York City banks collapsed last year would get their money back under legislation passed by Congress.

32 Pennsylvania authorities are investigating the way in which a charity has passed on commodities to other groups and counted the value as program-services spending.

35 Reports on charities by the Better Business Bureau and National Charities Information Bureau.

About Research

37 So little is known about philanthropy and non-profits because researchers—and the organizations that finance them—have not asked the right questions, says columnist Pablo Eisenberg (Opinion).

About International Philanthropy

7 Non-governmental organizations in the Arab world want closer ties to the West, but they are fed up with being patronized recipients of foreign aid, said several speakers at the second World Congress on Philanthropy.

11 A small but growing number of foundations and corporations are making grants to deal with the spread of AIDS in the third world.

8 Japanese donations to U.S. non-profits give the Japanese too much access to and influence on American research and economic policy, says a new report.

Also in This Issue

33 **Press Clippings:** The *Washington Monthly* on non-profit lobbying, *Travel & Leisure* on volunteer vacations, *Commentary* and *Columbia Journalism Review* on public television, and *Vanity Fair* and *The New York Times Magazine* on the Hemlock Society.

36 **Letters** on what charities can learn from businesses, rivals of United Way, and jargon in fund raising.

Correction

Because of inaccurate information supplied by the American Association of Retired Persons, an article on the association's employee-giving campaign incorrectly stated the amount by which giving increased between 1990 and 1991. Contributions increased by 6.6 per cent.

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Study Finds Differences Among Donors to Arts, Environment, and Youth Groups

While donors and volunteers are motivated primarily by altruism, other goals and values may determine what type of charity receives their largesse, a study has found.

Independent Sector, a coalition of charities and foundations, used data from its 1990 "National Survey on Giving and Volunteering the United States" to sketch a profile of donors and volunteers to three types of charities: youth groups, environmental organizations, and arts institutions.

The desire to help people less fortunate and to "do something useful" were the main factors motivating givers and volunteers in all three categories. But the study found differences in the secondary motivations of those same people.

The study also revealed variations in socioeconomic background and giving levels of donors to different types of groups.

Arts groups. According to the survey, 10 per cent of all Americans gave to arts groups last year, making it the least popular of the three types of charities. But arts donors' average household contribution was $2,115, nearly twice the average for donors to youth groups and environmental organizations.

Part of that may be explained by the finding that arts donors were more likely to earn a high income than other donors.

Arts volunteers were more likely than volunteers generally to cite personal fulfillment outside of work, religious concerns, and a previous benefit from the organization as factors behind their donation of time.

Arts donors also cited a need to insure the continuation of an institution that benefited their family or community as a major reason for giving.

Arts organizations had a higher proportion of older donors—those over 65 years of age—than youth and environmental groups.

Youth groups. According to the survey, 22 per cent of all Americans gave to youth-related activities, making them more popular than arts or environmental groups.

Volunteers for youth organizations were more likely than other volunteers to get involved because someone they cared about, usually their children, benefited and because of religious commitments. A major goal of youth-group volunteers was to "teach self-sufficiency."

Meeting religious commitments and gaining a "sense of satisfaction" were important secondary reasons why people contributed money to youth groups.

Donors to youth groups were far less likely than donors to arts and environmental organizations to be wealthy or to have a college degree.

Half of all donors to youth groups first gave because they were asked in person to do so, a significantly higher percentage than for donors to arts and environmental groups.

Environmental organizations. The survey found that 13 per cent of Americans gave to at least one environmental organization last year.

More than 45 per cent of environmental-group volunteers gave more time last year than in 1988. But despite the growing interest in preserving the environment, environmental-group volunteers were more likely than other types of volunteers to say they had donated less time last year.

Virginia A. Hodgkinson, vice-president for research at Independent Sector, said that finding should alert environmental groups to step up recruitment efforts. "It looks to me that they are focusing on workplace giving and letter writing, but they're not focusing on the number of people they're bringing in as new volunteers, who are their future givers," she said.

Donors to environmental groups were far more likely to have made their first gift in response to a direct-mail solicitation than were givers to other types of groups, the study found.

Environmental groups had a higher percentage of young donors—those 18 to 24 years old—than did arts and youth organizations.

Religious people were less likely to give to environmental organizations than to youth and arts groups.

—KRISTIN A. GOSS

Profile of Donors and Volunteers of Arts, Environmental, and Youth Groups

	All donors	Arts donors	Environment donors	Youth donors
Average household contribution	$978	$2,115	$1,091	$1,128
Percentage of U.S. population	75.1%	9.6%	13.4%	21.7%
Average percentage of household income donated	2.5	4.0	2.2	2.6

Who They Are

	All donors	Arts donors	Environment donors	Youth donors
Age				
18-24	8.6%	6.1%	10.5%	7.7%
25-44	45.7	50.9	55.3	55.0
45-64	28.1	28.6	23.9	27.7
65 and older	17.2	13.6	9.8	9.1
Education				
Less than high-school graduate	16.9%	2.4%	5.3%	8.5%
High-school or technical-school graduate	39.6	25.7	35.1	38.6
Some college	19.6	21.3	20.7	24.8
College graduate	22.7	50.2	38.4	26.9
Income				
Under $20,000	23.4%	9.8%	15.1%	11.9%
$20,000-39,999	36.8	30.4	30.1	39.3
$40,000-59,999	20.7	20.7	23.4	26.3
$60,000 and over	19.2	36.2	31.3	21.1
Sex				
Female	53.3%	56.4%	53.3%	57.8%
Male	46.7	43.6	46.7	42.2
Race				
Black	8.4%	2.1%	0.8%	4.8%
White	89.5	95.0	95.6	94.4
Hispanic	5.5	2.3	2.0	5.3
Other	2.1	2.9	3.6	0.8
Marital status				
Married	69.0%	73.8%	71.0%	75.9%
Single	14.2	12.8	18.3	11.6
Divorced/separated/widowed	16.0	12.2	9.9	12.0
Region				
Midwest	27.4%	21.0%	33.3%	31.3%
East	25.8	28.9	31.2	26.6
West	21.5	32.5	21.1	24.0
South	25.3	17.6	14.4	18.1

Note: Some percentages may not add to 100 due to rounding. Percentages in the race category add to more than 100 because Hispanics are also counted as black or white.

Why They Give and Volunteer

	All donors	Arts donors	Environment donors	Youth donors
How they came to give				
Decided on own	—	28.0%	29.0%	27.0%
Personally asked	—	27.0	28.0	50.0
Responded to letter	—	16.0	28.0	7.0
Responded to advertisement	—	14.0	6.0	2.0
Responded to telephone	—	7.0	4.0	7.0
Major background influence				
Parent's example	43.2%	50.5%	43.3%	47.0%
Social or political philosophy	—	46.3	40.7	—
Personal values	70.3	83.4	81.4	76.0
Religious beliefs	57.9	60.7	47.6	59.5
Why they volunteer				
Enjoy work/felt needed	33.6%	32.3%	39.1%	30.8%
Do something useful	62.2	76.9	69.0	66.4
Learn/get experience	7.8	8.8	7.4	10.3
Someone I care about benefited	28.9	28.7	38.0	55.3
Previously benefited	8.9	13.7	12.2	15.4
Religious concerns	26.4	30.9	25.7	32.5
Have a lot of free time	10.1	15.3	13.4	6.6
To engage in activities more fulfilling than work	8.4	14.0	11.7	9.1
Major motivations				
Help those with less	58.1%	59.3%	61.9%	62.9%
Sense of satisfaction	53.5	—	55.2	52.6
Meet religious commitments	50.8	—	—	54.0
Insure continuation of activities for me and my family	—	50.4	—	—
Major goal				
Increase opportunities for others	58.0%	62.7%	64.7%	65.1%
Improve cultural life	—	54.1	53.6	—
Enhance moral basis	51.6	50.6	53.8	57.4
Find cures for diseases	58.0	55.7	61.5	62.2
Help grassroots organizations	—	53.7	56.2	—
Protect the environment	51.5	65.4	74.2	56.8
Teach self-sufficiency	—	—	—	52.6

SOURCE: Independent Sector

Food Banks Struggle to Meet Record Demand

Continued from Page 9

food from houses along their regular routes.

► Seattle's Northwest Harvest has started a newsletter that is mailed to both long-standing and prospective donors every three months. Ms. Velozo, the food bank's director, says the newsletter uses a personal touch to tell people about the needs of the poor and the ways in which businesses and charities are responding to that demand. She says the newsletter has led to increased donations of food, cash, and services, such as free trucking and storage space. It has also helped bring in new volunteers, she says.

► Louisville's Wayside Christian Mission, which serves 600 to 800 meals daily, is trying to cut expenses, says Tim Moseley, its executive director. He says the number of people seeking help from the mission has increased 15 per cent above one year ago while private donations are down 15 per cent. He says the mission hopes to save money by buying cheaper cleaning materials, making staple supplies last longer, and cutting down on the use of electricity.

Less Cynicism

The expanding number of people seeking help from food pantries and soup kitchens is producing one unintended benefit, says Ms. Stewart of the Atlanta Community Food Bank. As the recession worsens, fewer people tend to be cynical about the food bank's holiday appeals for donations, she says.

"You don't have to convince people that there is hardship in a community, because more have experienced it personally," she says. "I think that is different than in years past."

FUND RAISING

Trends and Ideas

Warning on Life-Insurance Gifts

Charities should heed recent troubles in the industry and check out companies, experts say

By GRANT WILLIAMS

THE COLLAPSE of several prominent insurance companies has led fund-raising experts to urge charities and donors arranging gifts of life policies to check to be sure they are backed by sound organizations.

While most companies appear to be in good financial shape, the need for caution has been underlined by the difficulties of several insurers this year, including Mutual Benefit Life Insurance Company of New Jersey, one of the nation's 20 largest insurers, and Executive Life Insurance Company of California.

It is unclear how many charities, if any, have been affected by the insurance companies' troubles.

"I'm sure when most people start to talk about gifts, they look for the lowest premiums," says G. Douglass Alexander, an Atlanta-based fund-raising consultant, instead of "making sure they are buying a quality product."

He adds: "To be quite honest, this issue has not been a concern, and it should be. There's a bit of a feeling out there that insurance companies are regulated, and everything must be all right. We get a little shocked when [companies falter]."

All states have guarantee associations to back up policies of crippled or insolvent insurers, but experts say it is wise to check on the coverage provided by state laws. If a policy exceeds the amount guaranteed, a charity could lose money it had counted on, and donors might be angered that the charity didn't do more to check into the health of the insurance company.

What's more, board members could be held liable in some cases, if a charity did not do enough to guarantee that a life-insurance gift was backed by a sound company.

Insurance Gifts Take Many Forms

Gifts of life insurance can be made in a variety of ways. A charity can ask a donor to:

► Buy a new policy, making the charity the irrevocable owner and beneficiary.

► Transfer ownership to the charity of a partially paid or fully paid policy.

► Give money to the charity, along with permission for it to take out a policy on the donor's life. The charity pays the premium from the contribution.

Many charities and donors like life-insurance gifts because they permit donors, especially those who are not wealthy, to make substantial contributions at a relatively low cost.

A 45-year-old, for example, could make a $50,000 life-insurance gift to a charity for an investment of less than $14,000, paid out over five years.

Highly publicized company collapses "certainly do not mean that the whole industry is in trouble," says Mark Lucius, corporate information officer for Northwestern Mutual Life Insurance Company in Milwaukee. Northwestern Mutual's agents have sold about $68.7-million in charitable life-insurance policies since 1986.

"This issue has not been a concern, and it should be. There's a bit of a feeling out there that insurance companies are regulated, and everything must be all right."

The recession has been difficult for many companies. Some have invested heavily in real estate, which has been hit hard by the downturn, and in junk bonds, which are lower-rated corporate bonds that have high yields.

"The industry is actually doing very well, over all," says Mr. Lucius. "But the industry has been so reliable for so long that the problems of a few scare a lot of people. People should look into it."

Saint Louis University checked the health of its insurance company before starting a program to encourage donations to its endowment through life-insurance gifts, says the Rev. J. Barry McGannon, the school's chancellor. The university has attracted more than $21-million in commitments over the past five years.

"When going into any insurance program, each charitable organization has to find a comfort level" with the stability of the company involved, says Father McGannon.

"If charities have questions, they should take whatever means are necessary to answer those questions," he says, adding that he still has "great confidence in the insurance industry" over all.

The University of Rochester in New York rarely suggests the names of companies to potential donors of life-insurance gifts, says Jack Kreckel, director of development for planned giving.

When it does, it recommends only companies that have earned the institution's confidence, he says. "Most of the clients we work with who make those kind of gifts have relationships with agents, and it usually never comes up," he adds.

However, Mr. Kreckel says organizations and individuals should closely review the companies they buy policies from. "Given what's going on in the insurance business," he says, "that's a good thought."

Not Backed Up by Federal Government

Unlike savings-and-loan and bank deposits, insurance policies are not guaranteed by the federal government. When an insurance company fails, state guarantee associations generally back them up. Each association gets the money to pay off policies by assessing healthy insurance companies doing business in the state.

The process is complicated, however. State funds can take varying lengths of time to pay back people who have lost money and have different restrictions and caps on what they will cover.

"It's not that easy to understand the differences from one state to the other, because the coverage is like a quilt, with

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Most 'Donor Choice' Gifts Stay in United Way System, Study Finds

By BRUCE MILLAR

MORE UNITED WAYS are giving donors opportunities to earmark gifts for specific causes or charities—including those not affiliated with United Way—but that has had little effect on the proportion of contributions that go to non-profits that don't traditionally receive support from the big fund-raising federation.

A new report by United Way of America says 64.2 per cent of all earmarked 1990 contributions went to groups affiliated with United Way. In 1989, 63 per cent of earmarked donations stayed within the United Way system.

The report was based on information provided by 272 United Ways, most of which raised more than $1-million apiece in 1990.

The issue of giving donors more control over their contributions has been controversial at United Ways. Many opponents of the idea say they worry that charities that have long relied on United Way aid might be hurt under so-called donor-choice programs. The new report indicates that such fears may be unfounded.

In campaigns run by private organizations, 77.6 per cent of all earmarked dollars in 1990 went to United Way–affiliated agencies. In 1989, 78.8 per cent of the earmarked dollars stayed within the United Way system.

Between 1989 and 1990, the proportion of United Ways that offered donors the option of making gifts to non-United Way charities increased from 51 per cent to 64 per cent, according to the survey.

Bob O'Connor, United Way of America's vice-president for research services, said the small increase in dollars leaving the United Way system reflected donor satisfaction with choices offered by United Ways.

"I think the reason for that is that United Ways are doing a better job of marketing themselves as a better choice," he said.

Not many donors took advantage of the opportunity to earmark gifts: Only 17.2 per cent of all dollars raised in public and private campaigns were designated for particular causes and charities, according to responses from 191 United Ways. That means that United Ways were allowed to decide how to distribute 82.8 per cent of all dollars raised.

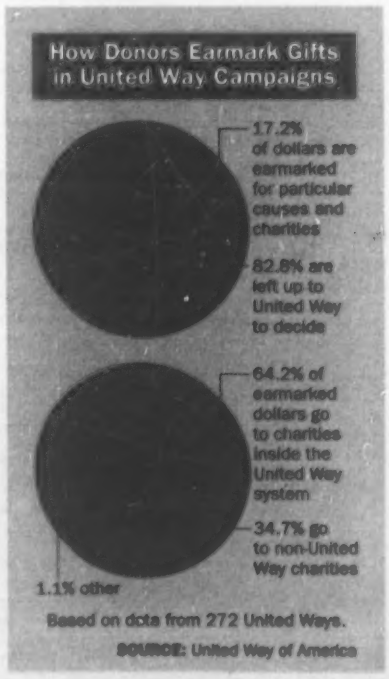
Hunger and homelessness were the leading causes to receive earmarked donations, receiving 20.8 per cent of all gifts designated for specific needs.

Other leading causes were spouse- and child-abuse services at 13.4 per cent, youth and child services at 11.7 per cent, and elderly services at 10.8 per cent.

Cancer Groups Get Most Gifts

Cancer groups, including the American Cancer Society, were the top recipients of earmarked donations, receiving 8.3 per cent of all designated gifts, the report said. Other top recipients were hospitals and other health agencies (6.5 per cent) and child-welfare organizations (4.4 per cent.) Family-service groups, such as organizations that provide counseling and emergency assis-

Continued on Page 30


How Donors Earmark Gifts in United Way Campaigns
17.2% of dollars are earmarked for particular causes and charities
82.8% are left up to United Way to decide
64.2% of earmarked dollars go to charities inside the United Way system
34.7% go to non-United Way charities
1.1% other
Based on data from 272 United Ways.
SOURCE: United Way of America

2 Charities Hope Spider-Man Will Be Their Santa Claus

Two charities are looking for a man in a red suit to fly through the air and bring them gifts this year, but he isn't Santa Claus. He's Spider-Man.

The masked superhero is one of many characters in a holiday comic book, *Within Our Reach*, that is being sold in stores across the country to raise money for the American Foundation for AIDS Research in New York and the Sempervirens Fund, an environmental organization in Los Altos, Cal.

Mike Friedrich, president of Star Reach Productions, a company in Berkeley, Cal., that represents comic-book artists, came up with the idea for the project early last year. He has spent the past year recruiting and working on the book with more than 20 artists and writers.

Artists Chose Causes

Star Reach clients helped pick the causes that would receive the proceeds from the book—the environment and AIDS.

"As an industry that chews up trees, we feel a special kinship to preserving forests for future generations," wrote Mr. Friedrich in the introduction to the book.

The other cause was chosen because "all of us have been touched by AIDS in some fashion, and many of us have had the disease strike among our families and friends."

The Sempervirens Fund and the AIDS foundation were selected because they were "future-oriented organizations," he said.

The final product is an 80-page, full-color book that illustrates a range of Chistmas-related stories, including O. Henry's classic "Gift of the Magi" and a short story about a man dying of AIDS called "Home for Christmas."

Almost all of the expenses for the book, including the artwork and distribution, have been donated. After printing costs are deducted, about $2 of the $7.95 price will be donated to the charities.

Mr. Friedrich says he hopes to raise $20,000 to $30,000, to be divided equally between the two groups. He adds that Star Reach may reprint the book if it sells well this year, but says he has no plans to repeat the project in the future.

Says Mr. Friedrich: "It was a major undertaking."

The company stopped publishing books in 1979 to focus its attention on representing artists. "However, when the idea of producing a benefit Christmas comic occurred to us in early 1990, we decided to make a one-time exception," he said.

Copies of *Within Our Reach* may be ordered at a discount by sending $7.50 to the Sempervirens Fund, Drawer BE, Los Altos, Cal. 94023. —JENNIFER MOORE

An AIDS fund and an environmental group will benefit from sales of "Within Our Reach," a comic book with one cover aimed at children (left) and another aimed at adults.

IN BRIEF: Fund Raising

Minn. Charities Got 39% of Gifts Raised by Solicitors

Minnesota charities received 39 cents of every dollar raised on their behalf by professional solicitors in the past year, according to a study by Attorney General Hubert Humphrey III.

Professional solicitors raised $6.7-million from Minnesota residents and gave $2.6-million to the client charities, according to the study.

The amount given through professional solicitors dropped by $2.1-million this year, in part because fewer charities hired professionals to run their campaigns. In addition, lawsuits filed by the state have led some professional fund raisers to be barred from raising money in the state.

The report said the proportion of contributions that a charity keeps could be affected by factors other than the professional solicitor's fee, including whether those solicited have given to the charity in the past and whether the solicitor offers something in exchange for a donation.

Conn. Sues Charity Over Fund-Raising Appeals

The State of Connecticut has sued the Multiple Sclerosis Foundation, a "sound alike" charity unrelated to the better-known Multiple Sclerosis Society, along with a fund raiser for the foundation, for allegedly deceptive solicitations.

The fund raiser, WRG Enterprises of Sarasota, Fla., is charged with telling potential donors that they had given to the charity previously when they had not; of leading potential donors to believe that the Fort Lauderdale, Fla.–based foundation was a local charity benefiting Connecticut residents; and of failing to disclose that the company was a paid solicitor.

The lawsuit, filed by Attorney General Richard Blumenthal, says WRG Enterprises falsely told potential donors that the money raised for the MS fund would be used as financial assistance to people with the disease. The lawsuit charges that the foundation approved the statement.

William R. Garden, the company's president, denied the charges. "The Attorney General only has part of the facts, and they don't even have them right," he said.

The Attorney General said the principals of both WRG and the MS Foundation were members of Mr. Garden's family.

Cody Garden, who is Mr. Garden's son, and Cody Garden's wife started the fund, said Errol Copilevitz, a Kansas City lawyer who represents WRG. He said that William Garden had had nothing to do with the foundation's formation, and that WRG had worked for the foundation only once, in its Connecticut appeal. Cody Garden said he had "no affiliation" with WRG.

Campaign Update

Status and recent results of drives for endowments and capital improvements

	Started or announced	To conclude	Goal	Amount raised
Bolles School (Fla.)	Sept. 1989	Sept. 1994	$8,000,000	$6,800,000
Colorado School of Mines	July 1989	June 1994	60,000,000	33,000,000
Gordon College (Mass.)	Fall 1985	Fall 1991	16,000,000	17,600,000
Hotchkiss School (Conn.)	July 1987	Dec. 1994	100,000,000	48,000,000
Learning Center for Deaf Children (Mass.)	Fall 1989	March 1992	1,045,000	745,000
Mary Washington College (Va.)	Jan. 1987	June 1991	5,000,000	6,300,000
Nathan Adelson Hospice (Nev.)	Summer 1991	Summer 1992	6,000,000	3,000,000
Recording for the Blind (N.J.)	July 1989	July 1994	30,000,000	13,800,000
University of Georgia	July 1989	June 1994	150,000,000	78,000,000
Venice Hospital Foundation (Fla.)	July 1990	June 1992	2,700,000	1,200,000
Vocational Guidance Services (Ohio)	Oct. 1989	Summer 1992	2,600,000	2,300,000

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Insurance-Industry Troubles Prompt Warning on Gifts

Continued from Page 23

patches, rather than a blanket," says Mr. Lucius.

There's no reason for charities and donors to panic, says the American Council of Life Insurance, a trade group in Washington.

In any given year, 25 to 30 life-insurance companies are taken into receivership by state insurance commissioners, the council says. These companies may have been operating without enough capital, or may have experienced a "run" by policyholders seeking to redeem policies that the companies don't have the cash to back up.

In most cases, the council says, regulators seize a company before it is insolvent and no longer able to meet its liabilities. Most seized companies are successfully rehabilitated, sold, or liquidated without the need to call on state guarantee associations—and without losses to policy holders.

Reviews of Companies

One way for charities and donors to check out companies is to look up the reviews of them that are issued by national ratings agencies. Some ratings come with written evaluations or company profiles.

Robert L. Thompson, chairman of Ketchum Inc., a fund-raising consulting company based in Pittsburgh, says that non-profits need to check out key facts about the insurer's size and financial profitability.

To find out, Mr. Thompson says, they can ask an insurance company for a financial report that provides:

► An analysis of its investment portfolio, revealing the diversity and quality of its assets.

► A description of its current and past investment strategy, "showing how much of it is in real estate and junk bonds."

► An accounting of its cash reserves—crucial to paying off claims in the event of a "run" on the company by policy holders. Many of the insurance companies that collapsed this year had small cash reserves.

"It comes down to the questions of what are their reserve and surplus standards, what do they set aside, and do they have enough money and a decent operating position," says Mr. Thompson.

Help from Accountants

To help wade through all this information, charity boards should have a certified public accountant scrutinize the insurer, says James P. Keating, president of Endow America, a fund-raising consulting company in Sacramento.

"If I were a director for a charity, I would always want to be seen as acting prudently, because the board can be held liable," Mr. Keating says.

Robert F. Sharpe, Sr., a fund-raising consultant in Memphis, says he warns charities against adopting a gift program that uses only one life-insurance company and agent.

When charities do this, "they have in effect given an implied endorsement to the quality of the company, the agent, and the product," says Mr. Sharpe.

If the insurance company has problems or fails, "you the charity have endorsed it," he says. "And who is going to be embarrassed, who is going to be left holding the bag? The charity's planned-giving person."

Mr. Sharpe's advice: "Tell people they can give life insurance, but advise them to go to their own agent and company, and let the purchase of it be between donors and the company agents."

Mr. Sharpe adds: "If charities keep giving an implied endorsement of insurance companies, when are they going to start endorsing stockbrokers and real-estate agents and mortgage bankers? We become 'big father' for everything involving money."

Concern Over Rates of Return

Experts also say that charities and donors should be wary of insurance companies' predictions of their policies' future rates of return, which are projected in the initial sales pitch.

Deborah Blackmore Abrams, director of development at Radcliffe College, says those assumed rates sometimes "are based on an economic model that may or may not have anything to do with reality."

If the rates of return are not achieved, especially when a sour economy brings lower interest rates, the charity may have to ask donors to pay premiums over a longer time than originally planned or pay higher premiums to make up the loss in the policy's value.

Mr. Sharpe says a charity that chooses to get involved with a particular insurer "must make certain that the projected interest rates are not taken as fact; they are merely illustrations, and have nothing whatever to do with future performance of that company."

The guaranteed interest rates promised in the policy are the key figures, says Mr. Sharpe.

He adds: "The big question is whether the trustees and the chief executive and the development people want to be saddled with a policy that they were sure would be paid up in 5 years—and it now may take 7, 9 or 13 years to pay it up."

How to Check on Insurance Companies

Experts on life-insurance gifts to charity suggest that organizations take several steps before arranging for such donations.

Look up reviews of a life-insurance company issued by national ratings agencies. Nonprofits can obtain some ratings from insurance agents, from public libraries, or by contacting the services directly:

► A. M. Best Company will provide company ratings over the telephone. First call (908) 439-2200, extension 5552, to get the company's Best identification number. Then call (900) 420-0400 to get the rating. The charge for the second call is $2.50 a minute; an average call takes two to three minutes for each rating. A printed report can be ordered during the telephone call for $10. In-depth reports are available for $15. Write: Ambest Road, Oldwick, N.J. 08858.

► Moody's Investors Service will provide a rating over the telephone at no charge other than the cost of the call at (212) 553-0377. The service prefers not to handle requests through the mail.

► Standard & Poor's Insurance Rating Services will provide ratings for five companies over the telephone at no charge other than the cost of the call, at (212) 208-1527. Full reports are available for $25 each by writing the agency's Marketing Department, 26 Broadway, New York 10004.

► Weiss Research will provide a company's rating over the telephone for $15 each. A printed, one-page brief is $25 for each company; an 18-page report costs $45 a company. Call (800) 289-9222, or write P.O. Box 2923, West Palm Beach, Fla. 33402.

Get details about a company's size and financial profitability. Ask it for a financial report that provides:

► An analysis of its investment portfolio that reveals the diversity and quality of its assets.

► A description of its current and past investment strategy, including how much is invested in real estate and junk bonds.

► An accounting of its cash reserves.

Have a certified public accountant scrutinize the company. A review of financial reports available in the state in which the insurance company is incorporated is considered essential by experts.

Make sure the parent insurance company has been identified. Some companies are owned by others, and confusion can result. —GRANT WILLIAMS

Texas and U.S. Investigate Activities of TV Preacher

Three federal agencies and the Texas Attorney General are investigating the finances and fund raising of Robert Tilton, a flamboyant television preacher who was the subject of an unflattering report on ABC's "PrimeTime Live" television show last month.

The Federal Bureau of Investigation, the Internal Revenue Service, and the U.S. Postal Inspection Service are looking into Mr. Tilton's operation, said Jim Travell, a spokesman in the Postal Inspection Service's Fort Worth division.

Mr. Tilton's Word of Faith Family Church is based in Farmers Branch, Tex., a Dallas suburb. His direct-mail and financial operations are in Tulsa, Okla.

Postal inspectors are examining whether Mr. Tilton committed mail fraud in his handling of fund-raising appeals and contributions, Mr. Travell said. The IRS and the FBI do not confirm or deny the existence of any investigation.

Texas Attorney General Dan Morales's office in Dallas, meanwhile, is looking into whether Mr. Tilton's fund-raising appeals violated the state's laws on charitable solicitations and deceptive trade practices, sources said.

"PrimeTime Live" alleged that Mr. Tilton's followers sent him at least $80-million a year, and that he used it mainly to enrich his ministry and support a lavish life style.

Mr. Tilton denied any wrongdoing. He said the program had underestimated his ministry's charitable activities around the world. Regarding his wealth, he told viewers: "So what? I never preached poverty to you."

In response to the ABC report, Rep. J. J. Pickle, the Texas Democrat who chairs the Oversight Subcommittee of the House Ways and Means Committee, said he was likely to hold hearings next year on oversight of television ministries and on their tax-exempt status.

—KRISTIN A. GOSS

Most 'Donor Choice' Gifts Last Year Stayed in the United Way System

Continued from Page 23

tance, received 4.1 per cent of total earmarked donations, as did the Salvation Army.

Some other findings of the study:

► Eighty-six per cent of United Ways that allow donors to earmark donations to non-United Way charities charge a handling fee to the charity, averaging 10 per cent of the gift amount.

► Planned Parenthood was the most frequently named organization when donors asked that their donations not be given to a particular charity. Planned Parenthood was named in 56 per cent of all so-called negative donations reported in 1990, the report said. Heart organizations including the American Heart Association, ranked second, receiving 7.2 per cent of all negative donations. Only about $1.2-million of all earmarked gifts—less than 1 per cent—were negative designations.

Copies of the report are available for $10 each. Contact: Tony De Cristofaro, United Way of America, 701 North Fairfax Street, Alexandria, Va. 22314.

—BRUCE MILLAR

New Life-Insurance Policy Allows Up to $10,000 in Gifts to Charities

The Prudential Insurance Company of America has announced a new type of insurance policy to benefit non-profit groups.

The policy, which is to be called "Charity Plus," will be offered by Prudential agents as a companion to new life-insurance contracts. Prudential will offer customers the opportunity to buy $2,500 to $10,000 worth of insurance to benefit charity.

The insurance company said the additional premiums would be relatively low, because the price would only cover Prudential's cost, and that agents would not receive any commissions on the charitable portion. Normally, when donors make gifts of life insurance, the agents are paid a commission.

Donors can make gifts of life insurance in a number of ways. For example, a person who owns a policy that is no longer needed, such as one that was created for the benefit of a spouse who died first, could give the policy to charity.

Craig Wruck, director of major and deferred gifts at the University of Minnesota's Twin Cities campus and a vocal opponent of gifts of insurance in the past, said the new program "overcomes the objections a lot of us have had."

Mr. Wruck said that, in some cases, donors who had been giving money to charities had been urged to buy insurance policies to increase the size of their gifts, instead of giving cash. The institutions would ultimately benefit to a certain degree, he said, but in the meantime, by marketing insurance gifts, charities would siphon away existing financial support.

Since the Prudential program is designed to offer insurance customers a new opportunity to be charitable, rather than offering donors the opportunity to buy life insurance, "it keeps it all in the proper perspective," Mr. Wruck said.

—VINCE STEHLE

Interest Rates for Planned Gifts

Following are the interest rates, provided by the Internal Revenue Service, for computing charitable deductions for charitable remainder trusts, gift annuities, charitable lead trusts, and some other deferred gifts.

January	9.8%
February	9.6
March	9.4
April	9.6
May	9.6
June	9.6
July	9.6
August	9.8
September	9.6
October	9.0
November	8.6
December	8.6

SOURCE: PG Calc Inc.

TAX WATCH

IRS Says Some Joint Ventures Threaten Hospital Exemptions

THE INTERNAL REVENUE SERVICE has ruled that non-profit hospitals could place their tax exemptions in jeopardy by engaging in certain kinds of joint ventures with doctors on their medical staffs.

The ruling, which reversed earlier positions taken by the service, said the problem arises when hospitals sell some of their earnings, called revenue streams, from departments such as outpatient services to private physicians. Hospitals could make such arrangements to give doctors a stake in an enterprise or service and to keep physicians affiliated with the institutions.

Such deals can get hospitals in trouble because they permit individuals to improperly benefit from charitable assets, the IRS said.

The ruling came as the IRS continued what it calls a major review of large systems of nonprofits—chiefly hospitals and universities. The revenue service "has been looking for a way to attack physician-hospital relationships," said an analysis prepared by Coopers & Lybrand, an accounting firm.

Earlier rulings by the service approved the arrangements on the basis that they furthered charitable purposes by making operations more efficient, the analysis said.

"In retrospect, the IRS held that this conclusion was erroneous, and that although hospital business might be improved, the exempt purpose of improving health care in the community had not been furthered," said Coopers & Lybrand.

In three cases reviewed in the ruling, hospitals entered into joint ventures, directly or through subsidiaries, with doctors who had admitting or staff privileges at the institutions.

The agreements provided that the hospitals would continue to operate the departments and set and collect charges from patients. In two of the cases, the hospitals would pay the investors the net revenue streams of the departments and, in one case, the adjusted gross patient revenues (*General Counsel Memorandum 39862*).

Ruling on Life-Insurance Gifts Is Revoked by IRS

THE IRS has revoked a letter ruling that triggered controversy when it was released in March.

In its original decision (*Letter Ruling 9110016*), which applied only to an unidentified New York woman who requested it, the service said the donor could not claim federal tax deductions on income, gift, and estate taxes for a charitable donation of life insurance. The reason: New York law did not recognize charities as having an insurable interest in their donors.

The IRS said that because the donor was going to purchase the policy with the intention of immediately giving it to charity, the charity had effectively obtained the policy on the donor. The IRS said that would violate New York law, which at the time said that one must have an insurable interest in a person to obtain a policy on his or her life.

In response to that ruling, the New York Legislature clarified the state law to allow a donor to purchase life-insurance policies and then immediately to assign them to charity, so long as the gift was the donor's idea.

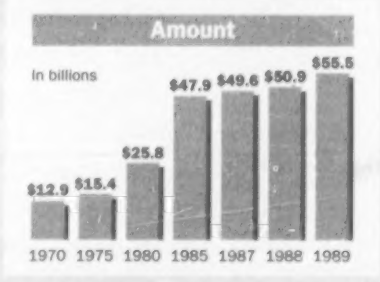
Several other states changed their laws to give charitable organizations a clear insurable interest.

The new IRS decision (*Letter Ruling 9147040*) noted that New York had changed its law and that it applied retroactively.

The IRS said it understood that the person who requested the original ruling "no longer intends to proceed with the transaction."

Sam Radin, president of National Madison Group, a New York City estate-planning firm, said the original ruling "was valuable because it focused attention on an area that few people had looked at previously. It caused a number of legislatures to clarify their laws and their public policy."

Charitable Deductions Claimed on Tax Returns



Note: In 1987, taxpayers who do not itemize their deductions lost the right to deduct charitable contributions

SOURCE: Internal Revenue Service

Number of Write-Offs for Gifts Has Dipped, IRS Reports

STATISTICS released by the IRS show a decline in the number of individual federal tax returns that included itemized deductions for charitable deductions from 1970 to 1989 (see above chart).

In the same period, the deductions that were claimed for contributions increased from $12.9-billion to $55.5-billion. The data are in the *Statistics of Income Bulletin* for fall 1991. The report may be obtained for $7.50 a copy from the Government Printing Office, Superintendent of Documents, Washington 20402-9325.

—GRANT WILLIAMS

WATCHDOG WATCH

Following are summaries of recent reports by the National Charities Information Bureau and the Council of Better Business Bureaus' Philanthropic Advisory Service.

These two private organizations report on whether charities meet standards for fund raising, governance, financial management, and public information. The organizations do not approve or disapprove charities, and urge potential donors to evaluate the importance of variations from the standards. They also note that charities' practices may change at any time.

For organizations that do not meet the standards, information is given only on those standards that are not met. Those organizations meet all the other standards.

Copies of the full reports are available from the Council of Better Business Bureaus, Philanthropic Advisory Service, 4200 Wilson Boulevard, Arlington, Va. 22203, and the National Charities Information Bureau, 19 Union Square West, New York 10003.

BETTER BUSINESS BUREAU

Food for the Poor, 1301 West Copans Road, Pompano Beach, Fla. 33064. Does not meet the standard calling for an organization to provide on request an annual report that includes information about its governing body and structure, and information about financial activities and financial position. Does not meet the standard calling for an organization's financial statements to present adequate information to serve as a basis for informed decisions. To meet this standard, the financial statements should include, in part, (a) expenses reported in categories corresponding to the descriptions of major programs and activities contained in the annual report, solicitations, and other informational materials, and (b) a detailed schedule of expenses by natural classification (*e.g.*, salaries, postage, rent, etc.) presenting the expenses incurred for each major program and supporting activity. The audit report contains an unaudited schedule of in-kind contributions received and distributed, but included only one program-expense category and did not identify the amount spent on each major program. The organization reported that it does not have a board-approved budget for the most current fiscal year. Also does not meet the standard calling for an organization to substantiate on request its application of funds, in accordance with donor expectations, to the programs and activities described in solicitations. Also does not meet the standard calling for an organization to establish and exercise adequate control over disbursements.

United Citizens Against Drugs, 209 Technology Drive, Suite 202, Irvine, Cal. 92718. Does not meet the standard calling for an organization's financial statements to present adequate information to serve as a basis for informed decisions. To be in compliance with this standard, the financial statements should include, among other things, a breakdown of expenses for each major program service.

NATIONAL CHARITIES INFORMATION BUREAU

Earth Island Institute, 300 Broadway, Suite 28, San Francisco 94133. Does not meet the standard calling for an organization to have on its board no more than one paid staff member, who shall not chair the board or serve as treasurer, nor the standard calling for an organization to have no material conflicts of interest involving board or staff members. Also does not meet the standard calling for an organization to supply on request complete financial statements that are prepared in conformity with generally accepted accounting principles, accompanied by a report of an independent certified public accountant and reviewed by the board, and to fully disclose economic resources and obligations, including transactions with related parties and affiliated organizations, significant events affecting finances, and significant categories of income and expense. There is a question as to whether the organization meets the standard calling for an organization's board to have an independent, volunteer membership.

Environmental Action Foundation, 6930 Carroll Avenue, Sixth Floor, Takoma Park, Md. 20912. Meets all standards.

Pan American Development Foundation, 1889 F Street, N.W., Eighth Floor, Washington 20006. Meets all standards.

Rainforest Action Network, 301 Broadway, Suite A, San Francisco 94133. Does not meet the standard calling for an organization to have on its board no more than one paid staff member, who shall not chair the board or serve as treasurer.

Sierra Club Foundation, 220 Sansome Street, Suite 1100, San Francisco 94104. Meets all standards.

AWARDS

The following people and organizations have been honored for their philanthropic efforts:

Handicapped. The J. M. Foundation in New York has announced the winners of its 1991 National Search for Excellence Awards. The awards, which honor outstanding programs to help people with disabilities, are accompanied by grants of $20,000. The winners: Abilities of Florida (Clearwater); Diagnostic and Rehabilitation Center (Philadelphia); Southeastern Minnesota Center for Independent Living (Rochester); and Trillium Employment Services (Auburn, Wash.).

Management. The Alameda County Food Bank (Oakland, Cal.) and Alzheimer's Services of the East Bay (Berkeley, Cal.) have received the Management Center's 1991 Award for Excellence. The Management Center is a non-profit consulting organization located in San Francisco. Each winner received $2,500 from the Chevron Corporation.

Private schools. The Council for Advancement and Support of Education has announced the winners of its awards to recognize people and organizations that have served private schools.

—Jeremy Jones, director of development at Saint George's School (Newport, R.I.), won the Robert Bell Crow Memorial Award for his fund-raising work.

—Gordon Gund, president and chief executive officer of Gund Investment Corporation (Cleveland) and a former trustee of the Groton School (Groton, Mass.), won the Seymour Preston Award for his efforts to help the school successfully complete a $25-million capital campaign.

—The James R. Johnston Trust for Charitable and Educational Purposes in Washington won the John R. Chandler Award for its support of private schools.

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OPINION

Commentary and Letters

Treat People as Resources, Not Problems

By THOMAS F. BEECH

ALL FOUNDATIONS feel the pressure of competing claims on our resources—each claim as legitimate as the others. The problems we wrestle with often seem to be getting worse, not better. In the communities in which we live and work, we see shrinking public dollars and reduced commitment by the federal government.

Instead of looking at society's troubles in isolation, we need to think about the ways in which they are related. All too often we think and act as if housing, education, health, arts and culture, and civic improvement were distinct, unrelated fields. Like other institutions, we organize our work along these lines and we categorize our grants this way.

What we should do is focus on the systemic nature of the forces that are at work in education, housing, health, and arts and culture. We should look at our urban areas as systems in which the whole is affected by every one of its parts. It is archaic to think that we can take any complex problem apart, analyze each part, fix the parts individually, put them all back together, and all will be well.

In grant making, as in other helping professions, our mission is to make life better, to have a positive impact on the organizations and people we support. Nothing is wrong with that, but in in our field we have an overpowering need to be correct, to fix things.

Grant makers have long acknowledged that the tendency toward arrogance is one of our field's occupational hazards. Equally hazardous to our health is the disease of "chronic sincerity." Seriousness of purpose and commitment are laudable traits, but when these take a turn toward the need to be correct, the results can be suffocating.

An alternative is to look at every situation as an opportunity to learn. An attitude of learning invites experimentation and risk taking. It demonstrates respect for complexity, inclusiveness, and diversity. It allows for the inevitability of conflict—and thus the possibility of conflict resolution. It involves a tolerance for uncertainty and makes room for a sense of humor.

An openness to learning is essential for successful public-private partnerships in education, urban revitalization, and other fields. It involves listening—to one another and, most important, to the communities in which we work.

MY VIEW

Grant makers have long acknowledged that the tendency toward arrogance is one of our field's occupational hazards. Equally hazardous is the disease of "chronic sincerity."

Foundations have for decades been involved in providing services to deal with the problems of the poor, disadvantaged youth and families, the sick, and the elderly. All too often, we view those people themselves as "the problems," incapable of survival without the help of experts. How often do we say, or hear, "The problem with the poor is . . . ," "The problem with the older people is . . . ," "The problem with kids is . . ."

Why can't we look at people as resources, not problems?

A good example of an effort to change such attitudes is the Lilly Endowment's grant to the National Crime Prevention Council. The grant supported a pilot program in three Indiana cities. The program, called Youth as Resources, has since expanded to 10 communities.

The program's fundamental premise is that if we view young people—all young people, not just high achievers—as responsible, caring human beings, capable of leadership and solid accomplishments, they will respond in kind. The results support this premise. Young people, working as equals with their peers and with adults, have designed and implemented important programs dealing with substance abuse, the needs of adolescent parents, education reform, and other issues.

LETTERS

Non-Profits Can Learn a Lot From Companies

TO THE EDITOR:

I was intrigued by the article "How Much Should Charities Copy Companies?", written by Vince Stehle, in your November 19 issue. . . . The entire direction of this piece implies that non-profits are above or better than the private sector. This talk of them versus us is counterproductive.

As a non-profit executive for two decades and as an Associate Professor of Management of Nonprofit Organizations at Sangamon State University, my experience and academic research leads me to believe much of the private sector's practice of business is useful and non-profits can gain from the adoption of similar practices.

Finally, a Mr. David Mason, a management consultant from Corpus Christi, Tex., implies that comparable wages with the private sector are no assurance of quality leadership. True enough. But we cannot promise the eternal reward and a good fuzzy feeling when our employees have rent to pay, families to support, and must put bread on the table. Comparable pay for comparable work remains a noble goal.

H. BRENT DE LAND
President
Springfield College in Illinois

Allies, not rivals, of United Way

TO THE EDITOR:

I applaud Bruce Millar's excellent and informative December 3 article about the growing number of corporations allowing charity federations in addition to United Way to participate in their employee campaigns ("United Way's Rivals Gain Ground"). I would bet, however, that in a couple of years when you do an update on this story your headline writer will use a word other than "rivals" to describe the non–United Way federations.

At Independent Charities of America, we prefer to think of United Ways as "allies" in the cause of human service, not "rivals," albeit sometimes they and we are reluctant allies. Contributors want choice but they do not want the United Way system dismantled. The sooner United Way and the other federations stop battling over turf and find common ground to share workplace fund-raising technology for the common good, the happier contributors will be.

I regret to note that my quote in Mr. Millar's companion piece about the Apple Computer campaign ("Apple Runs High-Tech, Low-Key Electronic Fund